Canada's Nuclear Regulator

Canadian Nuclear Safety Commission
Quarterly Financial Report
For the quarter ended June 30, 2012

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Canadian Nuclear Safety Commission
Commission canadienne de sûreté nucléaire

Canada

Canadian Nuclear Safety Commission Quarterly Financial Report
For the quarter ended June 30, 2012.

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Canadian Nuclear Safety Commission
Statement Outlining Results, Risks and Significant Changes in Operations, Personnel and Program

Introduction

This quarterly report has been prepared by management, as required by section 65.1 of the *Financial Administration Act,* and in the form and manner prescribed by the Treasury Board Secretariat. This quarterly report should be read in conjunction with the *Main Estimates* and *Supplementary Estimates*.

The Canadian Nuclear Safety Commission (CNSC) is an independent regulatory agency and quasi-judicial administrative tribunal with jurisdiction over all nuclear-related activities and substances in Canada. Its responsibilities and authorities are to regulate the use of nuclear energy and materials, so that the health, safety and security of Canadians and the environment are protected, and to respect Canada's international commitments on the peaceful use of nuclear energy.

Further details on the CNSC's authority, mandate and program activities can be found in the *Reports on Plans and Priorities* and the *Main Estimates.*

Basis of presentation

Management has prepared this quarterly report by using an expenditure basis of accounting, as opposed to an accrual basis. The accompanying Statement of Authorities includes the CNSC's spending authorities granted by Parliament and those used by the CNSC consistent with the *Main Estimates* and *Supplementary Estimates* for the 2012–13 fiscal year. This quarterly report has been prepared as prescribed by the Treasury Board Secretariat to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before monies can be spent by the Government. Approvals are given in the form of annually approved limits, through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

When Parliament is dissolved for the purposes of a general election, section 30 of the *Financial Administration Act* authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the Government to spend funds. A special warrant is deemed to be an appropriation for the fiscal year in which it is issued.

The CNSC uses the full accrual method of accounting to prepare and present its annual audited financial statements, which are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

This quarterly report has not been subject to an external audit or review.

Funding of operations

The CNSC is mainly funded from a revenue spending authority (RSA), allowing the cost recovery of activities through fees collected from industry. This budgetary statutory authority provides a sustainable and timely funding regime to address the rapid changes in regulatory oversight workload associated with the Canadian nuclear industry.

The CNSC is also funded through an annual appropriation from Parliament. Regulations state that some licensees, such as hospitals and universities, are exempt from paying fees as these entities exist for the public good. In addition, fees are not charged for activities that result from CNSC obligations that do not provide a direct benefit to identifiable licensees. These include activities with respect to Canada's international obligations (including the non-proliferation activities), public responsibilities such as emergency management and public information programs, and the updating of the *Nuclear Safety and Control Act* and associated regulations, as appropriate.

As such, the voted budgetary authorities include Vote 20 – program expenditures – while the budgetary statutory authorities are comprised of contributions to the Employee Benefit Plan (EBP), expenditures pursuant to paragraph 29.1 (1) of the *Financial Administration Act* (which the CNSC refers to as the revenue spending authority – RSA), and spending of proceeds from the disposal of surplus Crown assets.

Highlights of Fiscal Quarter and Fiscal Year to Date Results

Authorities analysis

As reflected in the following authorities table, the CNSC has seen an increase in total authorities of $3.3 million between fiscal years 2011–12 and 2012–13. The $3.3 million consist of an increase of $3.2 million due to Vote 20 – Net program expenditures and $0.1 million net increase in revenue spending authority.

Authorities *In thousands of dollars*	2012–13	2011–12	Variance
Vote 20 – Net program expenditures	**29,302**	**26,457**	**2,845**
Contribution to employee benefit (EBP)	**3,841**	**3,488**	**353**
Expenditures pursuant to paragraph 29.1 (1) of the *Financial Administration Act*	**87,066**	**86,924**	**142**
Total budgetary expenditures	**120,209**	**116,869**	**3,340**

Vote 20 – Net program expenditures authority

The total appropriation increased by $3.2 million, including contributions to employee benefits. This change in appropriation is explained by the following appropriation increases and decreases:

Appropriation increases ($5.7 million):

- the permanent renewal of funds used to provide assurance that international regulatory obligations on the peaceful use of nuclear energy are met ($5.7M)

Appropriation decreases ($2.5 million):

- transfer to Shared Services Canada to pool existing resources from across government to consolidate and transfer IT infrastructure (i.e. data centres and network services) ($1.5M)
- the final incremental reduction to the CNSC for the 2009 Strategic Review ($0.8M)
- transfer to the Canadian Institutes of Health Research, to Social Sciences and Humanities Research Council of Canada and to Natural Sciences and Engineering Research Council of Canada for the support of student research in the nuclear field being performed at Canadian post-secondary institutions ($0.1M)
- for additional EBP adjustment ($0.1M)

Expenditures pursuant to paragraph 29.1 (1) of the Financial Administration Act

The net increase in revenue spending authority of $0.1 million is mainly driven by an increase in regulatory licensing activity for radioactive waste facilities and power reactors, offset by a decrease in revenue associated with power reactor design reviews.

Expenditure analysis

Statement of authorities

The statement of authorities illustrates that the total program expenditures used during the first quarter of 2012–13 was $26.1 million, compared to $25.6 million reported in the same period of 2011–12, a 2% increase in spending or $0.5 million.

Budgetary expenditures by standard object

The statement of budgetary expenditures by standard object shows that the CNSC's spending by those objects is comparable quarter over quarter. The slight change is mainly due to:

- increased costs in personnel due to employee step increases offset by the reduction in salary to reflect the transfer of 10 full-time equivalents to Shared Services Canada
- increases in rental costs due to renovations and expansion of regional offices and storage facilities
- other variances in standard objects expenditures, which can be explained by a change in coding from fiscal year 2011–12 to 2012–13

Risks and uncertainties

The CNSC's Quarterly Financial Report reflects the results of the current fiscal period in relation to the *Main Estimates* and *Supplementary Estimates* for which Parliament has granted the authority.

The CNSC has identified the following internal and external risks that affect its objectives.

Budget 2010
To restore fiscal balance, the government has implemented a number of measures to improve efficiency while lowering the rate of growth in the size and operations of the public service. Budget 2010 announced that departmental operating budgets would be

frozen at 2010–11 levels for fiscal years 2011–12 and 2012–13, and that they would not be increased to fund increases set out in collective agreements. As the CNSC is mostly funded by regulatory fees collected from its licensees, only one-third of the collective agreement increases would affect the appropriation funding. Nonetheless, the CNSC is working to identify the most appropriate measures to deliver on its mandate within its current Budget 2010 funding constraints.

Budget 2011
Budget 2011 announced the conduct of a comprehensive Deficit Reduction Action Plan (DRAP) across all branches of government in 2011–12. Consistent with the requirement of this announcement, the CNSC reviewed its activities funded by parliamentary appropriation, aiming to find further savings through productivity improvements and program relevance and effectiveness. While the CNSC's budget was reduced commencing 2012–13, the reductions were achieved through productivity increases and program efficiencies, leaving little to no financial and operational risks.

Major project delays
In recent years, the CNSC developed and implemented an aggressive recruitment strategy, in anticipation of new major nuclear projects advancing in Canada. The CNSC adjusted its plans to respond to industry projections, including delays in the announcements of new nuclear power plants in Canada, as a result of the economic downturn. If such projects are further delayed or cancelled outright, cost recovery revenues could be significantly affected. The CNSC has initiated contingency plans to adapt to changes without compromising its capacity to meet its regulatory responsibilities.

Significant Changes in Relation to Operations, Personnel and Programs

The CNSC has no significant changes in relation to operations, personnel and programs from fiscal year 2011–12 to 2012–13.

A recent amendment to the Canadian Environmental Assessment Act (2012) has lead to changes in the responsibilities and management of environmental assessments at the CNSC. The operations, personnel and program impacts of these changes are currently being assessed.

The CNSC continues to demonstrate that it responds to unexpected matters swiftly, effectively and with transparency, as shown by its actions following TEPCO's Fukushima Daiichi nuclear accident in Japan. Much effort focused on ensuring that the lessons learned from that accident further strengthened the safety of Canadian nuclear facilities.

The CNSC's main objectives have not changed. The CNSC still aims to regulate the use of nuclear energy and materials to protect the health, safety and security of Canadians

and the environment. However, spending and the use of existing resources must also be targeted. The CNSC has reviewed its work methods and looked at the work to be carried out in the future, and is adjusting its efforts to be as effective and efficient as possible.

Approved by:

Michel Cavallin,
Chief Financial Officer

2012/08/30
Date

M. Binder

Michael Binder, President
President

Aug 31/2012
Date

Statement of Authorities

(in thousands of dollars)	Fiscal year 2012–2013			Fiscal year 2011–2012		
	Total available for use for the year ending March 31, 2013 *	Used during the quarter ended June 30, 2012	Year to date used at quarter-end	Total available for use for the year ended March 31, 2012 *	Used during the quarter ended June 30, 2011	Year to date used at quarter-end
Vote 20 – Net program expenditures	29,302	9,473	9,473	26,457	8,663	8,663
Budgetary statutory authorities						
Contribution to employee benefit expenditures	3,841	960	960	3,488	872	872
Expenditures pursuant to paragraph 29.1 (1) of the *Financial Administration Act*	87,066	15,652	15,652	86,924	16.057	16.057
Spending of proceeds from the disposal of surplus Crown assets	-	-	-	-	-	-
Total budgetary authorities	**120,209**	**26,085**	**26,085**	**116,869**	**25,592**	**25,592**
Non-budgetary authorities	-	-	-	-	-	-
Total authorities	**120,209**	**26,085**	**26,085**	**116,869**	**25,592**	**25,592**

More information is available in the attached table.
* *Includes only authorities available for use and granted by Parliament at quarter-end.*

Departmental Budgetary Expenditures by Standard Object

(In thousand of dollars)	Fiscal year 2012–2013			Fiscal year 2011–2012		
	Planned expenditures for the year ending March 31, 2013 *	Expended during the quarter ended June 30, 2012	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2012 *	Expended during the quarter ended June 30, 2011	Year to date used at quarter-end
Expenditures:						
Personnel	92,560	21,685	21,685	90,924	21,526	21,526
Transportation and communications	4,671	969	969	4,477	1,075	1,075
Information	805	164	164	477	164	164
Professional and special services	10,990	1,954	1,954	10,185	1,763	1,763
Rentals	3,032	731	731	2,400	47	47
Repair and maintenance	2,799	40	40	2,570	549	549
Utilities, materials and supplies	957	162	162	490	172	172
Acquisition of land, buildings and works	-	7	7	-	-	-
Acquisition of machinery and equipment	2,520	80	80	3,517	116	116
Transfer payments	1,770	161	20	1,770	106	106
Other subsidies and payments	105	127	127	59	74	74
Loans investment and advances	-	5	5	-	-	-
Total gross budgetary expenditures	**120,209**	**26,085**	**26,085**	**116,869**	**25,592**	**25,592**
Total net budgetary expenditures	**120,209**	**26,085**	**26,085**	**116,869**	**25,592**	**25,592**

** Includes authorities available for use and granted by Parliament, and other expenditures anticipated to be granted authority within the fiscal year at quarter-end.*